

POLICY BRIEF

EVALUATION OF THE UNCONDITIONAL CASH TRANSFER IN INDONESIA

I. Background

The government of Indonesia implemented an unconditional cash transfer (UCT) program in October 2005 in order to mitigate the impact of a removal of fuel subsidy in the same month. The program is targeted at 15 million poor households, determined by BPS (Statistics Indonesia) using a proxy means testing method. Each household receives Rp1.2 million for one year (roughly the country's current per capita GDP), which is disbursed quarterly in equal amounts.

Following the SMERU Research Institute's rapid appraisal on the cash transfer program conducted in West and North Jakarta, the government's National Development and Planning Agency (Bappenas) and the World Bank commissioned SMERU to conduct an impact evaluation of the UCT program. The study was undertaken in five kabupaten (district) around the country in November 2005 using Focused Group Discussion (FGD). In total, SMERU conducted 27 FGDs with district officials, village officials, and recipient and non-recipient households.



II. Findings

■ Targeting

- The proxy means testing is not localized enough as it is at the district level. Therefore, while it is able to sufficiently identify poor districts and subdistricts, accuracy in identifying individual households is low.
- Data collection, which was designed as a census of the poor, is not implemented as such.
- The above condition results in 45% leakage (share of UCT going to non-poor households) and 45% undercoverage (share of poor households not receiving UCT).
- The suspect poverty indicators incited protests in several locations.
- There is evidence of elite capture.

■ Socialization

- As a central government program, there is very little information given to local governments in terms of guidelines or informal notices.
- There is insufficient information disseminated to the public in terms of benefit, payment method, identification of beneficiaries, and complaint mechanism.

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■ Delivery

- Delivery of the UCT card, which is needed to collect the transfer, differs by region.
- The problem with the UCT card is mainly in misprinting names or addresses of the beneficiaries.
- Disbursement of the transfers, meanwhile, is the best component of the UCT program.
- It is conducted at the post office, and there is virtually no case of post office officials pocketing a share of the transfer.
- Only those whose name is listed on the UCT card could receive the payment, but in some areas this condition is waived.

■ Complaint Mechanism

- There is some confusion as to which institution is responsible for accepting and taking action on complaints.
- Complaints are filed to the village office, which could not do much because it is not formally involved in the program.
- A circular from the Department of Home Affairs and the Office of the Coordinating Minister for Welfare required all district governments to receive the complaints. This circular, however, was largely ignored.

■ Satisfaction of the Program

- The FGD participants state that the weakest part of the program pertain to socialization and targeting.
- In contrast, the participants are very satisfied with delivery of both the UCT card and the payment.

III. Recommendations

- Convert the UCT to conditional cash transfer (CCT).
- The post office must be retained as the distributing institution of the program.
- The district and village-level governments should be given a role in the program in addition to being a complaint-receiving institution. This should be reflected in the budget allocation from the central government to the district governments.
- The criteria used to identify beneficiaries need to be improved and be more sensitive to local-specific conditions.
- These criteria of eligibility should be properly disseminated to the public to avoid jealousy and to increase community involvement in identifying inaccurate targeting.
- Local governments, in coordination with the local BPS office, should be given the authority to withdraw UCT cards that are given to non-poor households.
- There should be a more intensive socialization of the program to the general public through the media.

SMERU is an independent institution for research and policy studies which professionally and proactively provides accurate and timely information as well as objective analysis on various socioeconomic and poverty issues considered most urgent and relevant for the people of Indonesia.

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